

Testimony
Before the Michigan House Committee on Insurance
On behalf of Humana, Inc.
October 17, 2007

Mr. Chairman and members of the committee, I would like to thank you for the opportunity to submit this written testimony regarding a series of legislation that would impact Michigan's individual health insurance market - HB5282, HB5283, HB5284 and HB5285. My name is Letitia Dewith-Anderson and I am the Regional Legislative Director for Humana's State Government Relations activities in Michigan. We provide medical coverage to over 169,000 Michigan residents. Humana is one of the nation's largest publicly traded health benefits companies with approximately 11.3 million medical members nationwide.

Expanding access to affordable health insurance coverage is a critical issue that we are committed to working with you to solve. Affordability is the number one concern on the minds of our customers – especially individuals and small business owners. An increasing number of consumers are purchasing coverage in the individual market as fewer employers are offering health benefits to their employees. It is estimated that the U.S. market for individual health insurance is more than 17 million and growing. Our HumanaOne individual health insurance products are designed to provide affordable options for individuals and families who do not have employer-sponsored insurance, such as self-employed entrepreneurs, small business employees, part-time workers, students and early retirees. In fact, a number of our HumanaOne customers were previously uninsured. Unlike the employer group insurance market, affordability is the primary concern of individuals who must purchase their own health insurance as they bear the full cost of coverage. This makes them extremely price sensitive to increases in their premium rates.

We believe any proposed reform should be measured by two simple tests:

- Does it make coverage more affordable?
- Does it give consumers choices?

We think this bill fails both tests. First, it does not make coverage more affordable. The proposed relaxation of regulations on Blue Cross Blue Shield of Michigan benefits Blue Cross, but it does not make coverage more affordable for consumers. It will likely increase rates for many older and less healthy Blue Cross policyholders. At the same time, it will increase rates for people who selected other insurers to provide their coverage.

Second, it will reduce the consumer's options when looking for health coverage. The new regulations will limit many insurers' ability to compete. It may cause some to leave the individual health insurance market or possibly the state. Fewer competitors means fewer choices, fewer plan options, and less innovation for consumers.

Finally, the bill represents a large shift at the expense of Michigan taxpayers. Michigan granted Blue Cross its tax exemption because it provided a public safety net to ensure any resident could obtain coverage. The tax break in part was intended to compensate Blue Cross for this service. Although Blue Cross will maintain its tax-exempt status, this legislation allows it to transfer some of the safety net costs to all other carriers. That's simply not fair.

In closing, we believe this legislation will undermine access to affordable health coverage in Michigan's individual health insurance market. While the proposed legislation was only introduced last week and we are still in the process of assessing the potential impact of all the provisions on our customers, we are concerned that certain provisions could significantly alter this market resulting in increased consumer costs and less access to affordable health insurance for many individuals and their families. We do not believe this is in the best interests of Michigan consumers. As such, we respectfully ask the committee to vote against this legislation to afford sufficient time for a fair and thoughtful debate on these important issues.

Thank you for your consideration of our comments.